

Community Development Commission

August 31, 2006

To: Each Supervisor

From: Carlos Jackson, Executive Director

SUBJECT: BONDING CITY OF INDUSTRY FUNDS

This is to report our recommendation in response to the attached August 4, 2006 letter from the City of Industry, in which the City is requesting authorization to administer and allocate dollars from the Industry Fund. Your office may have also received the attached July 10, 2006 letter from the City, which states the City's proposal in more general terms.

You may recall that in 1992, the City through State legislation received an exemption from its normal obligation under California Redevelopment Law to provide affordable housing within the City in exchange for transferring its Low-Income Housing Set-Aside Funds to the Housing Authority of the County of Los Angeles (HACoLA). Subsequent to the resolution of outstanding litigation in December 1998, the approximately \$72 million "backlog" of funds was transferred to HACoLA. HACoLA and the Board of Supervisors have fully complied with the legislative requirements and conducted a successful affordable housing program with these funds. Nevertheless, since 2000, the City has made numerous legislative efforts to gain control over a portion or all of the funds while retaining its housing exemption.

The advantage to HACoLA in bonding the funds would be to secure from the City a long-term irrevocable commitment through the "pledging" of the annual transfer amount. Pursuant to the 1992 legislation, the City is currently contractually committed to transferring the annual amount to HACoLA. Additionally, bonding the funds could immediately provide up to \$100 million based upon the annual transfer amount of \$15 million.

However, the Mayor's most recent proposal as evidenced by the August 4th letter, asks that HACoLA transfer, for administration by the City, 40% (\$40 million) of the \$100 million in bond proceeds for a period of ten years. This proposal is of no benefit to HACoLA since without bonding we would receive the same amount (i.e., 60% of \$100 million in bond proceeds) in four years at the current rate of \$15 million per year. It also appears inconsistent with the enabling legislation to transfer administrative authority over a portion of the Industry Fund from HACoLA to the City.

We have in the past offered to the City that in exchange for bonding the funds, to set-aside approximately one-third of the funds annually transferred to HACoLA (\$5 million) for projects identified within five miles of the City of Industry. However, such projects would not need to compete but would be required to meet threshold criteria. Furthermore, the funds would not be transferred to the City for its control.

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We will also be proposing to your Board in the near future that the Industry Fund RFP be made open and ongoing, much like the HOME Program RFP. Under these circumstances, sufficient funds would be readily available for projects of interest to the City of Industry and nearby cities in the San Gabriel Valley.

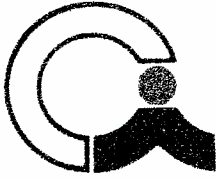
It is our recommendation to reject the City's proposal and I will so inform the City unless your office indicates otherwise.

Should you have any questions, please contact me at (323) 890-7400 or Syed Rushdy, Director of Housing Development and Preservation, at (323) 890-7230.

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Attachments (2)

c: David E. Janssen, CAO
Gerri Kariya, Assistant CAO
Each Deputy



CITY OF INDUSTRY

Incorporated June 18, 1957

August 4, 2006

Mr. Carlos Jackson, Executive Director
Housing Authority County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

Re: Industry Funds Agreement

Dear Mr. Jackson:

Following up on our earlier correspondence to the Los Angeles County Board of Supervisors, I'd like to propose that the existing Agreement between the City of Industry ("City"), the Industry Urban-Development Agency ("IUDA") and the Housing Authority of the County of Los Angeles ("HACoLA") be amended to accommodate new provisions regarding the use of the so-called Industry Funds. As an initial proposal, please consider the following:

1. City and IUDA will authorize the issuance of Housing Bonds, taxable or tax-exempt as agreeable, pledging the existing contracted 20% Low- and Moderate-Income set-aside annual revenue stream of payments from IUDA to HACoLA to annual debt service on the Housing Bonds until the City's three existing redevelopment plans' right to receive tax increment revenues, and/or the proposed Housing Bonds' debt service, expires. The IUDA will formulate the official statement and conduct a formal competitive bidding process for the sale of tax increment revenue based Housing Bonds.
2. Net proceeds of the Housing Bonds to be apportioned in the ratio of sixty percent (60%) to HACoLA and forty percent (40%) to the City of Industry's designated administrator ("City Housing Authority").
3. City Housing Authority to administer Housing Bonds precedes in accordance with existing HACoLA-established project award criteria (Industry Funds leverage ratio, developer qualifications, project description etc.). City Housing Authority projects to be submitted to HACoLA and receive reasonably timely HACoLA project award authorization so long as HACoLA project award criteria are essentially met. City Housing Authority shall proffer projects of Low- or Moderate-Income or as "special needs" on a basis other than 50/50 if HACoLA wishes to advantageously alter its HCD-mandated percentage ratio.

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4. All City Housing Authority-assisted projects utilizing Housing Bond proceeds will be substantially within fifteen (15) miles of City of Industry boundary. City is willing to discuss the legislative widening of this limitation to include all of Los Angeles County if favorable circumstances for passage and effective interested third party support (housing advocacy groups) can be achieved, and, if no substantial opposition is incurred.
5. Retention time limitation on City Housing Authority portion of Housing Bond proceeds before project award to be consistent with IRS rules, if applicable, regarding expenditure of tax-exempt Housing Bonds proceeds. Regardless, any Housing Bond proceeds, including interest earned thereon by the City Housing Authority, and not pledged to a City Housing Authority-approved project after ten years from issuance must revert to HACoLA.
6. Failing agreement on the above, the City of Industry would entertain a discussion of a shared annual apportionment on basically the same administrative terms outlined above, as an alternative to a bond issue apportionment.

We would appreciate an early opportunity to discuss the above-enumerated deal points, as well as any additional points of interest important to the County Housing Authority, with the goal of reaching a timely agreement on particulars that could result in a mutually beneficial amendment of the existing Agreement.

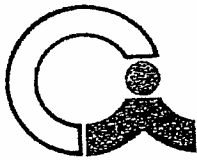
Yours Truly,



David Perez
Mayor

DP/djl/cg

c: L. Ron Cipriani
Philip L. Iriarte
Kevin Radecki
Michele Vadon, Esq.
William Strausz, Esq.
Dudley Lang



CITY OF INDUSTRY

Incorporated June 18, 1957

July 10, 2006

Los Angeles County Board of Supervisors
Kenneth Hahn Hall of Administration, Room 383
500 W. Temple Street
Los Angeles, CA 90012

Ladies and Gentlemen:

As you are aware, the Housing Authority of the County of Los Angeles ("HACoLA") is party to an agreement with the City of Industry ("City") and the Industry Urban-Development Agency ("Agency") whereby HACoLA receives 20% of the annual tax increment receipts of the Agency (the "Agreement"). Since 1991, HACoLA has used over \$125 million of these funds to leverage \$630 million for more than 5000 special needs and lower income housing units within fifteen miles of Industry's boundary (the "Industry Funds"). As advantageous as this annual installment arrangement has been, it's possible that its tenuous annual term provisions can be converted to a long-term commitment by the Agency.

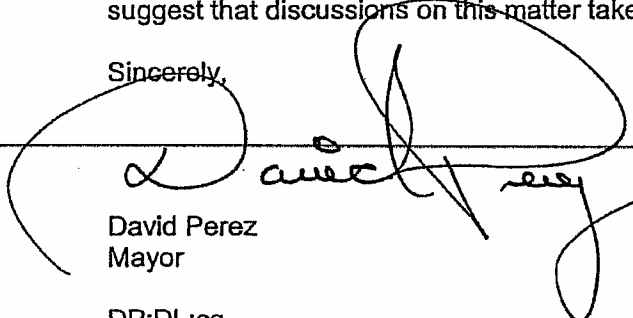
To that end, we suggest that the parties to the Agreement enter into discussions whose goal would be a long-term commitment of the revenue stream by the Agency to an Agency housing bond financing. Thus, rather than waiting until 2026 to receive the last annual set-aside payment, HACoLA could immediately use housing bond proceeds to request, select and fund new projects. Certainly, the use of today's dollars versus the value of dollars in 2025 (as well as the costs of construction now versus then) may be of some significant financial benefit in producing new leveraged projects now rather than later, possibly enabling more new units to be occupied much sooner.

As in the past, the City and Agency remain committed to becoming participants in the housing production process and we hereby also renew our earlier suggestion that HACoLA consider the allocation of a significant amount of the Industry Funds to the Agency for administration and project construction. The proportional level of this participation should be a subject of the overall discussion regarding this proposal.

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While we have not in the past been able to agree on the terms and conditions of similar proposals, please recognize that the City of Industry has in fact been reaching out to neighboring jurisdictions, including Los Angeles County, with those efforts resulting in the completion of many mutually beneficial endeavors. It's in this same spirit that we suggest that discussions on this matter take place at the earliest opportunity.

Sincerely,



David Perez
Mayor

DP:DL:cg

c: Carlos Jackson